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106TH CONGRESS
2D SESSION

S. 2319

To amend title XVIII of the Social Security Act to establish a voluntary Medicare Prescription Drug Plan under which eligible medicare beneficiaries may elect to receive coverage under the Rx Option for outpatient prescription drugs and a combined deductible.

IN THE SENATE OF THE UNITED STATES

MARCH 29, 2000

Mr. SMITH of New Hampshire (for himself and Mr. ALLARD) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend title XVIII of the Social Security Act to establish a voluntary Medicare Prescription Drug Plan under which eligible medicare beneficiaries may elect to receive coverage under the Rx Option for outpatient prescription drugs and a combined deductible.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Voluntary Medicare Prescription Drug Plan Act of 2000".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Medicare payment for outpatient prescription drugs.

"PART D—VOLUNTARY MEDICARE PRESCRIPTION DRUG COVERAGE

"Sec. 1860A. Medicare Prescription Drug Plan.
"Sec. 1860B. Rx Option.
"Sec. 1860C. Combined deductible.
"Sec. 1860D. Partnerships with private entities to offer the Rx Option.".
Sec. 3. Conforming changes to Medigap.

SEC. 2. MEDICARE PAYMENT FOR OUTPATIENT PRESCRIPTION DRUGS.

(a) IN GENERAL.—Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by redesignating part D as part E and by inserting after part C the following new part:

"PART D—VOLUNTARY MEDICARE PRESCRIPTION DRUG COVERAGE

"MEDICARE PRESCRIPTION DRUG PLAN

"SEC. 1860A. (a) IN GENERAL.—Each Medicare Prescription Drug Plan eligible individual may elect coverage (beginning on January 1, 2001) under this part by enrolling in the Rx Option in order to receive coverage for outpatient prescription drugs as described in section 1860B and to pay a combined deductible under section 1860C.

"(b) MEDICARE PRESCRIPTION DRUG PLAN ELIGIBLE INDIVIDUAL DEFINED.—In this part, the term 'Medi-

care Prescription Drug Plan eligible individual' means an individual who is—

"(1) eligible for benefits under part A and enrolled under part B;

"(2) not enrolled in a Medicare+Choice plan under part C; and

"(3) not eligible for medical assistance for outpatient prescription drugs under title XIX.

"RX OPTION

"SEC. 1860B. (a) ENROLLMENT IN THE RX OPTION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary shall establish a process for the enrollment of Medicare Prescription Drug Plan eligible individuals under the Rx Option that is based upon the process for enrollment in Medicare+Choice plans under part C of this title.

"(2) EXCEPTIONS.—

"(A) 2-YEAR OBLIGATION.—Except as provided in subparagraph (B), a Medicare Prescription Drug Plan eligible individual who elects the Rx Option shall be subject to the provisions of this part for a minimum period of 2 years, beginning with the first full month during which the individual is eligible for benefits under the Rx Option.

"(B) FREE LOOK PERIOD.—An individual who elects the Rx Option may disenroll from such Option no later than the last day of the first full month following the month in which such election was made.

"(3) ENROLLMENT IN MEDICARE SUPPLEMENTAL POLICIES.—An individual enrolled in the Rx Option may be enrolled only in a medicare supplemental policy subject to the special rules described in section 1882(v).

"(b) OUTPATIENT PRESCRIPTION DRUG BENEFITS.—

"(1) IN GENERAL.—Beginning in 2001, under the Rx Option, after the enrollee has met the combined deductible under section 1860C, the Secretary shall provide a benefit for outpatient prescription drugs through private entities under section 1860D equal to 50 percent of the lesser of—

"(A) the cost of outpatient prescription drugs for such year; or

"(B) $5000.

"(2) COST-OF-LIVING ADJUSTMENT.—

"(A) IN GENERAL.—In the case of any calendar year beginning after 2001, the dollar

amount in paragraph (1)(B) shall be increased by an amount equal to—

"(i) such dollar amount; multiplied by

"(ii) the cost-of-living adjustment.

"(B) COST-OF-LIVING ADJUSTMENT.—For purposes of subparagraph (A), the cost-of-living adjustment for any calendar year is the percentage (if any) by which—

"(i) the prescription drug component of the Consumer Price Index for all urban consumers (all items city average) for the 12-month period ending with August of the preceding year; exceeds

"(ii) such prescription drug component of the Consumer Price Index for the 12-month period ending with August 2000.

"(C) ROUNDING.—If any increase determined under subparagraph (B) is not a multiple of $1, such increase shall be rounded to the nearest multiple of $1.

"COMBINED DEDUCTIBLE

"SEC. 1860C. (a) IN GENERAL.—Notwithstanding any provision of this title and beginning in 2001, a beneficiary electing the Rx Option shall be subject to a combined deductible that shall apply in lieu of the deductibles applied under sections 1813(a)(1) and 1833(b).

"(b) AMOUNT.—

"(1) IN GENERAL.—For purposes of subsection (a), the combined deductible is equal to $675.

"(2) COST-OF-LIVING ADJUSTMENT.—In the case of any calendar year after 2001, the dollar amount in paragraph (1) shall be increased by an amount equal to—

"(A) such dollar amount; multiplied by

"(B) the increase in the medical component of the CPI as determined by the Bureau of Labor Statistics.

"(3) ROUNDING.—If any increase determined under paragraph (2) is not a multiple of $1, such increase shall be rounded to the nearest multiple of $1.

"(c) APPLICATION.—In applying the combined deductible described in subsection (a) such deductible shall apply to each expense incurred on a calendar year basis for each item or service covered under this title, and each expense paid on a calendar year basis for such an item or service shall be credited against such deductible.

"PARTNERSHIPS WITH PRIVATE ENTITIES TO OFFER THE RX OPTION

"SEC. 1860D. (a) PARTNERSHIPS.—

"(1) IN GENERAL.—The Secretary shall contract with private entities for the provision of out-

patient prescription drug benefits under the Rx Option.

"(2) PRIVATE ENTITIES.—The private entities described in paragraph (1) shall include insurers (including issuers of medicare supplemental policies under section 1882), pharmaceutical benefit managers, chain pharmacies, groups of independent pharmacies, and other private entities that the Secretary determines are appropriate.

"(3) AREAS.—The Secretary may award a contract to a private entity under this section on a local, regional, or national basis.

"(4) DRUG BENEFITS ONLY THROUGH PRIVATE ENTITIES.—Outpatient prescription drug benefits under the Rx Option shall be offered only through a contract with a private entity under this section.

"(b) SECRETARY REQUIRED TO CONTRACT WITH ANY WILLING QUALIFIED PRIVATE ENTITY.—The Secretary may not exclude a private entity from receiving a contract to provide outpatient prescription drug benefits under the Rx Option if the private entity meets all of the requirements established by the Secretary for providing such benefits.".

SEC. 3. CONFORMING CHANGES TO MEDIGAP.

Section 1882 of the Social Security Act (42 U.S.C. 1395ss) is amended by adding at the end the following new subsection:

"(v) SPECIAL RULES FOR MEDICARE PRESCRIPTION DRUG PLAN ENROLLEES.—

"(1) REVISION OF BENEFIT PACKAGES.—

"(A) IN GENERAL.—Notwithstanding subsection (p), the benefit packages established under such subsection (including the 2 plans described in paragraph (11)(A) of such subsection) shall be revised (in the manner described in subsection (p)(1)(E)) so that each of the benefit packages classified as 'A' through 'J' remain exactly the same, except that each benefit package shall include special rules that apply only to individuals enrolled in the Rx Option under section 1860B as follows:

"(i) COMBINED DEDUCTIBLE.—Each benefit package shall require the beneficiary of the policy to pay annual out-of-pocket expenses (other than premiums) in an amount equal to the amount of the combined deductible under section 1860C(b) before the policy begins payment of any benefits.

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"(ii) PRESCRIPTION DRUG COVERAGE.—In the case of a benefit package classified as 'H', 'I', and 'J', such policy may not provide coverage for outpatient prescription drugs that duplicates the coverage for outpatient prescription drugs provided under the Rx Option under section 1860B(b).

"(B) ADJUSTED PREMIUM.—In the case of an individual enrolled in the Rx Option, the premium for the policy in which the individual is enrolled may be appropriately adjusted to reflect the special rules applicable to such individual under subparagraph (A).

"(2) RENEWABILITY AND CONTINUITY OF COVERAGE.—The revisions of benefit packages under paragraph (1) shall not affect—

"(A) the renewal of medicare supplemental policies under this section that are in existence on the effective date of such revisions; or

"(B) the continuity of coverage under such policies.".

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